

## Message Text

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PAGE 01 BRIDGE 02139 062051Z

ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 /031 W  
-----118877 062055Z /64

P 061926Z SEP 77

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 3554

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E.O. 11652: N/A

TAGS: EAIR, BB

SUBJECT: AMERICAN AIRLINES FARE INCREASE

REF: A) STATE 024977

B) BRIDGETOWN 2010

1. IN COMPLIANCE WITH INSTRUCTIONS RECEIVED REFTTEL TO EXERCISE GOOD OFFICES ON BEHALF AMERICAN AIRLINES IN ITS DISPUTE WITH GOB OVER FARE INCREASE, DCM SAW IAN ARCHER, PERMSEC FOR CIVAIR, SEPT. 2. ARCHER MADE POINT THAT OTHER SECTIONS OF GOB DO NOT NORMALLY INTERFERE WITH OPERATIONS OF AIR TRANSPORT LICENSING AUTHORITY (ATLA). NONETHELESS, HE AGREED TO REQUEST ATLA TO UNDERTAKE SYMPATHETIC REVIEW OF ATLA'S EXTANT ORDER (REF B) REQUIRING AA TO RESCIND ITS PRICE INCREASE. BEFORE COMMUNICATING WITH ATLA, HOWEVER, ARCHER WILL AWAIT EMBASSY'S FORMAL REPLY TO NOTE FROM MINISTRY EXTERNAL AFFAIRS RECEIVED AUGUST 19 (REF B) REQUESTING PRICE ROLLBACK.

2. EMBASSY'S PROPOSED NOTE OF REPLY FOLLOWS. COMPLIMENTARY OPENING AND CLOSING OMITTED HERE. QUOTE. THE EMBASSY ... HAS THE HONOR TO REPLY TO THE MINISTRY'S NOTE NO. 3032/12/39/T.1, AUGUST 15, 1977, CONCERNING A RECENT FARE INCREASE BY AMERICAN AIRLINES. IN ITS NOTE, THE LIMITED OFFICIAL USE

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PAGE 02 BRIDGE 02139 062051Z

MINISTRY REQUESTED THAT AMERICAN AIRLINES BE INSTRUCTED TO DISCONTINUE CHARGING THESE HIGHTER FARES UNTIL THEY HAVE BEEN APPROVED BY THE AIR TRANSPORT LICENSING AUTHORITY OF BARBADOS. THE MINISTRY CITED PARAGRAPH 8 (B) OF THE UNDERSTANDING OF APRIL 1972 BETWEEN THE GOVERNMENTS OF BARBADOS AND THE UNITED STATES OF AMERICA, TO SHOW THAT THE TARIFF CHANGES SHOULD NOT

HAVE BEEN PUT INTO EFFECT UNTIL THE AIR TRANSPORT LICENSING AUTHORITY OF BARBADOS HAD APPROVED THEM. THE GOVERNMENT OF THE UNITED STATES OF AMERICA AGREES WITH THE MINISTRY'S INTERPRETATION OF PARAGRAPH 8 (B) BUT WISHES TO POINT OUT ITS APPRECIATION OF THE CONTENTION OF AMERICAN AIRLINES THAT THE PARAGRAPH IS AMBIGUOUSLY WORDED. THE RIGHT TO TAKE UNILATERAL ACTION SEEMED TO AMERICAN AIRLINES TO BE IN SOME FORM PRESERVED.

THE EMBASSY HAS THE FURTHER HONOR TO RECOMMEND THAT THE TARIFF IN QUESTION NOT BE CONSIDERED IN ISOLATION. WHEN THE CIVIL AERONAUTICS BOARD APPROVED THE TARIFF FILING OF AMERICAN AIRLINES, IT ALSO APPROVED THE FILINGS OF OTHER AIRLINES SERVING THE CARIBBEAN. A FARE REDUCTION BY AMERICAN AIRLINES NOW WOULD THEREFORE UNDOUBTEDLY TRIGGER SIMILAR RESPONSES ELSEWHERE, AND COULD VERY LIKELY RESULT IN ANOTHER ROUND OF BEGGAR-THY-NEIGHBOR TYPE FARE REDUCTIONS IN THE CARIBBEAN. MOST IMPORTANT, THE EMBASSY UNDERSTANDS THAT, IN A LETTER DATED AUGUST 25, 1977 TO THE SECRETARY, AIR TRANSPORT LICENSING AUTHORITY, AMERICAN AIRLINES SUBMITTED DATA PROVIDING THE ECONOMIC JUSTIFICATION FOR THE FARE ADJUSTMENT AS APPROVED BY THE CIVIL AERONAUTICS BOARD. AMERICAN AIRLINES REWORKED THE JUSTIFICATION TO CONFORM TO THE FORMAT REQUESTED BY THE AIR TRANSPORT LICENSING AUTHORITY LIMITED OFFICIAL USE

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PAGE 03 BRIDGE 02139 062051Z

ON JULY 20. AS A MATTER OF INFORMATION ONLY, THE CIVIL AERONAUTICS BOARD BELIEVES THAT THE ECONOMIC JUSTIFICATION SUBMITTED BY AMERICAN AIRLINES IS SOUND. IN ANY EVENT, THE EMBASSY WOULD BE GRATEFUL IF, PENDING ANALYSIS OF THE JUSTIFICATION, AND TAKING INTO ACCOUNT THE OTHER FACTORS REPRESENTED ABOVE, THE MINISTRY COULD DEFER ACTION REGARDING A RESCISSION OF THE PRICE INCREASES, UNTIL ANALYSIS IS COMPLETED.

3. ACTION REQUESTED OF WASHINGTON: OUR ASSISTANCE TO AMERICAN AIRLINES DEPENDS PARTLY ON PROMPT RESPONSE TO MINISTRY'S NOTE. EMBASSY WOULD THEREFORE APPRECIATE DEPARTMENT'S APPROVAL (OR SUGGESTED CHANGES) OF PROPOSED TEXT SOONEST.  
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## Message Attributes

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**Channel Indicators:** n/a  
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**Review Markings:**  
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